

**Opening Statement of
Senator Susan M. Collins
Chairman, Committee on Homeland Security and
Governmental Affairs**

**Hurricane Katrina: Waste, Fraud, and Abuse Worsen the
Disaster**

February 13, 2006

Federal assistance programs are vital to those who are true victims of natural disasters. The critical nature of this assistance makes reports of waste, mismanagement, and outright fraud particularly disturbing. We cannot sweep such allegations under the rug; we must face them head-on to preserve public confidence in these programs. Although our focus today is on Katrina, the ramifications are relevant to future disaster-relief efforts in all regions of our country.

If that sounds familiar, it is because those are words – with one obvious change – I used to open a hearing last May in

which the Committee examined serious problems with the integrity of FEMA's disaster-relief programs following the hurricanes that struck Florida in 2004. We are here today because, although the names of the hurricanes have changed, the waste, fraud, and abuse remain all too much the same.

This hearing will examine the mounting evidence of fraudulent claims, wasteful spending, and ineffective management in the disaster assistance programs triggered by Hurricane Katrina. Our witnesses will testify about criminal behavior ranging from filing false claims for individual assistance payments to bribing public officials. They will point to the lack of controls that allows precious resources to be squandered while so many people remain in dire need. And they will describe the unprecedented efforts of the Hurricane Katrina Fraud Task Force to deter and prosecute criminal offenses, enforcing the Administration's pledge to prosecute

every case of fraud against the government and the American taxpayers.

Following the Committee's work on this problem last year, I am sure we all expected that another hearing on the same subject would be a progress report. Instead, it is a fresh indictment.

Our witnesses will provide examples of the many ways disaster-relief programs are abused, and of the FEMA policies and procedures that failed, once again, to prevent abuse and fraud.

After the hearing last May, Senator Lieberman and I wrote a letter to then-FEMA Director Michael Brown in which we provided a list of straight-forward, doable, and logical reform recommendations that could have been implemented

quickly and that would have clamped down on waste, fraud, and abuse without delaying assistance to those truly in need. The response we received from Mr. Brown was utterly non-responsive, yet another example of a failure to act to reform a flawed system.

Our witnesses today will provide many more shocking examples of absent safeguards and wasted tax dollars. To date, FEMA has distributed more than \$6 billion in financial and housing assistance to nearly 1.5 million individuals. Most of that aid is essential, and most of the recipients are true victims. However, some of the money desperately needed by victims has gone to people who were nowhere near Hurricane Katrina and were in no way harmed by it. Multiple payments have been made to individuals, many of whom were not eligible for aid in the first place. GAO investigators found that debit cards had been used for such items as a tattoo, gambling, and a diamond

ring, when they were intended for necessities such as food and shelter.

Rental assistance was provided with no inspections of the recipients' homes to verify damage and no instructions on the proper use of these funds. This "pay first, ask questions later" approach was an invitation to the unscrupulous. FEMA paid for hotel rooms that were left unused or used simply as storage units for personal goods. Some of these rooms were at expensive hotels and resorts charging up to \$400 per night.

But the problem goes far deeper than a number of individuals getting money to which they are not entitled and spending it improperly. The real problem is that, once again, FEMA failed to adequately plan for the very type of disaster that occurs virtually every year. One of the most egregious examples of this failure to plan is the purchase of 25,000

manufactured homes, at a cost of approximately \$850 million.

A significant number of these will likely go unused because

FEMA cannot install them in a flood plain.

In the absence of effective pre-disaster planning for essential services, FEMA awarded many contracts without competition – such as four no-bid contracts for technical assistance, including installation of FEMA trailers, each with an original ceiling of \$100 million that later ballooned to \$500 million. The government made numerous other purchases at retail prices and without government discounts for needed supplies that could have been obtained before the crisis began. This lack of preparation is a recipe for wasteful spending.

Perhaps most troubling are the cases of contractor fraud and allegations of bribery. Our witnesses will describe some of

these cases today. Nothing is more offensive than this abrogation of the public trust.

I am pleased that the Inspectors General of the federal agencies involved in Katrina recovery have administratively adopted many of the provisions Senator Lieberman and I included in the bill we introduced last fall. For example, the IG community has ramped up its audit and investigative teams; it is working to coordinate audits across the federal government, including criminal referrals to the Department of Justice; and it is providing the Congress with detailed interim reports.

I am also very interested in the information that will be presented today on the Hurricane Katrina Fraud Task Force. This multi-agency task force was established by Attorney General Gonzales just one week after Katrina hit, and it is

committed to deterring, investigating, and prosecuting hurricane-related fraud.

But these measures, though highly commendable, are primarily reactive. We cannot continue to clean up waste, fraud, and abuse after disasters. We must do more to prevent the mess from occurring in the first place.